

**HOME HOMEBUYER AND REHABILITATION (HHR) PROGRAM
AND
HOUSING COST REDUCTION INITIATIVE (HCRI) PROGRAM**

2008-2010 APPLICATION PACKAGE

GENERAL PROGRAM INFORMATION



SUBMISSION DEADLINE: MONDAY, JUNE 16, 2008

**DIVISION OF HOUSING AND COMMUNITY DEVELOPMENT
BUREAU OF COMMUNITY FINANCE**

APRIL 2008

GENERAL PROGRAM INFORMATION

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GENERAL PROGRAM INFORMATION

PURPOSE

The Wisconsin Department of Commerce, Division of Housing and Community Development (DHCD) makes HOME Single-Family and Rental Rehabilitation Housing (HHR) and Housing Cost Reduction Initiative (HCRI) program funds available to eligible applicants through a biennial funding cycle. The funds are awarded to communities and local housing organizations to fund a range of activities that build, buy, and/or rehabilitate affordable housing for low-income homeowners, homebuyers, and renters.

Funding for the HHR program is provided by the U.S. Department of Housing and Urban Development through the Home Investment Partnerships (HOME) Program. The HOME Program was created by the National Affordable Housing Act of 1990 (NAHA). The HOME program is designed to reinforce several important values and principles of community development:

- ☞ HOME's flexibility empowers communities to design and implement strategies tailored to their needs and priorities.
- ☞ HOME's emphasis on consolidated planning expands and strengthens partnerships among all levels of government and the private sector in the development of affordable housing.
- ☞ HOME's requirement that every dollar in program funds be matched with 25 cents from nonfederal sources mobilizes community resources in support of affordable housing.

Funding for the HCRI Program is provided by the State of Wisconsin. The HCRI program is designed to provide direct financial assistance to reduce the housing costs of low- and moderate-income LMI households. HCRI funds available through this application process may be used for assistance for eligible homebuyers and eligible homeowners facing foreclosure.

DEFINITIONS:

Accessibility: For the HOME program, modifications to ensure an existing housing unit is usable by individuals with mobility or sensory impairments is considered rehabilitation.

Activity Completion: All necessary title transfer requirements and construction work have been performed; the activity complies with all HOME requirements; the final payment request has been disbursed for the activity; and the activity Completion Report has been submitted to DHCD.

American Dream Downpayment Initiative (ADDI): ADDI is a new component of the HOME program designed to make downpayment assistance available for low-income families who are first-time homebuyers of single-family housing (first-time homebuyer for ADDI is an individual or his/her spouse who have not owned a home during the three-year period prior to the purchase of a home with ADDI funding). It is designed to operate within the existing HOME program. ADDI funds are included in the HOME funding allocation.

Annual Income: For determining household income DHCD uses the definition in 24 CFR Part 5 (Part 5 Annual Income). This definition is used by a variety of Federal programs, including the Section 8 program, and was commonly referred to as the Section 8 definition. The Part 5 definition is the gross amount of income of all adult household members that is anticipated to be received during the upcoming 12 months.

Community Housing Development Organization (CHDO): A CHDO is a private, nonprofit, community-based service organization that has staff with the capacity to develop affordable housing for the community it serves. A portion of the HOME allocation is set aside for housing development activities in which qualified CHDOs are the owners, developers, and/or sponsors of the housing.

Collaborative Application: A single application submitted by two or more eligible applicants. Each applicant will administer a portion of the funds. One agency will be designated as “lead agency” for contracting purposes.

First-time Homebuyer: is an individual who meets any one of the following criteria:

- ◆ An individual who has had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property. This includes a spouse (if either meets the above test, they are considered first-time homebuyers).
- ◆ A single parent who has only owned with a former spouse while married.
- ◆ An individual who is a displaced homemaker and has only owned with a spouse.
- ◆ An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.

Handicapped: means, with respect to a person: a physical or mental impairment which substantially limits one or more of such person's major life activities; or a record of having such an impairment; or being regarded as having such an impairment, but such term does not include current, illegal use of or addiction to alcohol or a controlled substance as defined in section 102 of the Controlled Substances Act 21 USC 802.

HOME funds: HOME Investment Partnerships Program funds granted by the Department of Housing and Urban Development (HUD) to the State of Wisconsin DHCD. DHCD subsequently awards the funds to eligible subrecipients that use them to fund activities that build, buy, and/or rehabilitate affordable housing. For subrecipients, HOME funds include all contracted funds, plus all repayments and interest or other returns on the investment of these funds.

Household: One or more persons occupying or planning to occupy a housing unit.

Housing Quality Standards (HQS): HQS is the minimum standard to determine the acceptability of a housing unit assisted with HOME funds. All housing units assisted with HOME funds must pass HQS standards within 6 months of receiving assistance.

Low Income: means gross annual household income at or below 80% of the county median income adjusted for household size.

Match: is the applicant's contribution to the HOME program—the local, non-federal contribution to the partnership. The match contribution must equal at least 25% of the HOME activity funds per contract.

New Construction: The creation of new dwelling units on an undeveloped site.

Participating Jurisdiction (PJ): A unit of government that receives HOME funds directly from HUD. Other HOME PJs are not eligible to receive State HOME funds. Current HOME PJs include the counties of Dane, Jefferson, Milwaukee, Ozaukee, Rock, Washington, and Waukesha and the cities of Eau Claire, Green Bay, Kenosha, LaCrosse, Madison, Milwaukee, Racine, and West Allis.

Program Income/CHDO Proceeds: Gross income received by the grantee directly generated from the use of HOME funds or matching contributions.

Project-Related Soft Costs: These are costs directly related to carrying out a specific HOME activity. These costs may be charged as project/activity costs. They include: appraisals, construction inspections and oversight, homebuyer counseling, preparation of work specifications, risk assessments, relocation services. The total of project-related soft costs may not exceed 10% of the activity cost, with the exception of relocation services.

Reconstruction: This refers to rebuilding a structure on the same lot where housing is standing at the time of activity commitment. HOME funds may be used to build a new foundation or repair an existing

foundation, replace a substandard house with a new house. The activity is classified as rehabilitation for set-up.

Refinancing: HOME funds may be used to refinance existing debt on single-family, owner-occupied and rental properties in connection with HOME-funded rehabilitation. The refinancing must be necessary to reduce the owner's overall housing costs and make the housing more affordable. Refinancing for the purpose of taking out equity is not permitted.

Rehabilitation: For the HOME program, rehab is considered to be permanent, essential repairs to the home. These repairs are intended to ensure that the home meets all applicable local building codes and passes a Housing Quality Standards inspection.

Religious Activities: Organizations that receive funds through the HOME program may not engage in inherently religious activities, such as worship, religious instruction, or proselytization, as part of the programs or services directly funded under this program. If an organization conducts such activities, the activities must be offered separately, in time or location, from the program activity and participation must be voluntary for the program beneficiary.

Very-low Income: means gross annual household income at or below 50% of the county median income adjusted for household size.

Visitability: refers to the ability of a handicapped individual to visit a home. All new construction assisted through the HOME program should be visitable. To be considered visitable the unit must have at least one at-grade access and useable bathroom (with a sink and toilet) and all interior passage doors on the main floor providing a minimum of 32" of clear passage space.

Working Agreements: These agreements may be informal arrangements between agencies that relate to providing services or referrals for services.

HOME SINGLE-FAMILY AND RENTAL REHABILITATION HOUSING (HOME HHR)

A. FUNDS AVAILABLE

DHCD is making available approximately \$11,161,000 in HOME program funding for the HOME Single-Family and Rental Rehab Program. The funds will be released to successful applicants in two phases:

- ◆ The initial funding will be available upon completion of all contract documents.
- ◆ The second phase funding will be available in fall 2009 conditioned upon substantial progress in phase one and HOME fund availability.

Applicants may apply for funding for the following types of HOME activities:

- ◆ homebuyer assistance,
- ◆ owner-occupied rehabilitation,
- ◆ rental rehabilitation.

Actual funding requests should be based upon agency capacity, service area, and HOME activities proposed. Applicants are strongly encouraged to work together with other housing organizations in their geographic area to minimize duplication of services in overlapping service areas.

Applicants applying for single-family housing funds must apply for funding to assist a minimum of 20 units over the 2-year performance period. Rental rehabilitation is limited to existing buildings with no more than 12 total units and 11 HOME-assisted units per activity.

The HOME Program rule requires a match of 25 percent of activity funding. Funds must be from non-federal sources and be a permanent contribution to the HOME activity.

The State of Wisconsin HOME funds are allocated among 7 geographic areas:

- Region 1: Funding Allocation: \$2,046,000
Counties: Grant, Green, Iowa, Kenosha, Lafayette, Racine, Richland, Walworth;
- Region 2: Funding Allocation: \$1,674,000
Counties: Adams, Columbia, Crawford, Dodge, Juneau, LaCrosse, Monroe, Sauk, Vernon;
- Region 3: Funding Allocation: \$1,518,000
Counties: Barron, Buffalo, Chippewa, Dunn, Eau Claire, Jackson, Pepin, Pierce, Polk, St. Croix, Trempealeau;
- Region 4: Funding Allocation: \$1,228,000
Counties: Ashland, Bayfield, Burnett, Clark, Douglas, Iron, Price, Rusk, Sawyer, Taylor, Washburn;
- Region 5: Funding Allocation: \$1,627,000
Counties: Brown, Florence, Forest, Langlade, Marinette, Menominee, Oconto, Oneida, Shawano, Vilas;
- Region 6: Funding Allocation: \$1,627,000
Counties: Lincoln, Marathon, Marquette, Outagamie, Portage, Waupaca, Waushara, Wood;
- Region 7: Funding Allocation: \$1,432,000
Counties: Calumet, Door, Fond du Lac, Green Lake, Kewaunee, Manitowoc, Sheboygan, Winnebago.

The HOME funds may be awarded anywhere in the State that does not otherwise receive HOME funds as a Participating Jurisdiction.

B. ELIGIBLE APPLICANTS

1. ELIGIBLE ORGANIZATIONS

Any of the following are eligible to apply for funding under the HOME program:

- ◆ The governing body of a county, city, village, or town;
- ◆ The elected governing body of a federally-recognized American Indian tribe or band in the State of Wisconsin;
- ◆ A public agency or nonprofit organization;
- ◆ A faith-based or religious organization, as long as the funds are not used to support inherently religious activities.

State HOME funds may not be provided to the following entities:

- ◆ HOME Participating Jurisdictions:
 - Cities of Eau Claire, Green Bay, LaCrosse, Madison, Milwaukee, and Racine;
 - Counties of Dane, Milwaukee, and Rock;
 - The Jefferson, Ozaukee, Washington, Waukesha County Consortium;
 - Any entity planning to develop projects or provide assistance in any HOME entitlement area.

An applicant/lead agency may submit only one 2008 HOME Program application per competition. An agency may collaborate on more than one application.

Wisconsin Department of Commerce does not make funding awards to individual households.

2. PRIOR RECIPIENT ELIGIBILITY

To be eligible for the 2008-2010 HOME Program competition, an applicant with prior HOME Homebuyer (HBR), HOME Rehabilitation and Accessibility (HRA), HOME Single-Family (HSF) and/or HOME Homebuyer and Rehabilitation (HHR) awards must show evidence of project progress and/or completion. This evidence includes but is not limited to (as applicable):

- ◆ Applicants having HSF contracts from 2005 and earlier must have submitted all HSF closeout documents to the DHCD as required (final reports, project completion reports, etc.).
- ◆ Applicants having HHR contracts and amendments must have:
 - committed all Phase 1 program funds;
 - accomplished at least 75% of the goals contracted (units) for the quarter ending June 30, 2008.
 - ***Recipients who received Phase 1 funding only must have accomplished 75% of contract goals for the quarter ending June 30, 2008.***

Grantees having identified violations of the HOME Final Rule and/or related audit or monitoring findings from any Division of Housing and Community Development housing contracts must have them resolved to the Division's satisfaction prior to June 1, 2008.

C. ELIGIBLE ACTIVITIES

1. HOMEBUYER:

Awards must be used by eligible applicants to assist low-income households to purchase a single-family home that will be used as their principal residence.

Homebuyer programs can be structured in a number of ways to encourage the acquisition, acquisition and rehabilitation, or the new construction of affordable homes. Program design will be guided mainly by local needs and the local housing market.

Eligible activities include:

a. Acquisition: There are two approaches to acquisition:

Eligible homebuyers can be helped to purchase affordable homes by providing down payment or closing cost assistance, or by reducing the monthly carrying costs of a loan from a private lender. Reducing the monthly carrying costs by providing gap financing reduces the size of the monthly payment by reducing the principal amount that the buyer must borrow.

Homes must be inspected and all code and HQS fail items must be corrected.

Agencies may utilize HOME funding to purchase land as long as construction of single-family housing will be completed within the timeframe of the contract.

b. Acquisition and Rehabilitation: There are two acceptable approaches to this activity:

The grantee may acquire and rehabilitate, or assist a developer to acquire and rehabilitate, vacant, substandard properties to be sold after rehabilitation to low-income purchasers.

The grantee may provide assistance directly to the homebuyer to perform the rehabilitation immediately after the purchase. The grantee may offer the rehabilitation loan in addition to the down payment and closing cost assistance discussed above.

c. New Construction: The grantee may develop single-family housing itself or may work directly with developers to construct this housing. In areas where there is an insufficient supply of appropriate affordable housing the grantee may want to provide subsidies to stimulate construction of new housing. If the grantee provides a developer a subsidy, the developer can then offer the home at a lower sales price that presents a lower burden to low-income homebuyers. The development subsidy is generally a grant to the developer. If no additional down payment assistance is provided directly to the homebuyer a deed restriction will be required assuring the property remains affordable housing for the required affordability period.

d. Lease-Purchase: The grantee or developer owns the unit and leases it to an eligible homebuyer. Ownership must be conveyed to an eligible homebuyer within 36 months of signing the lease-purchase agreement, or within 42 months of activity completion. If at the end of the 36-month period, the household occupying the lease-purchase unit is not eligible or able to purchase the unit; the grantee has an additional six months to identify an eligible homebuyer to purchase the unit.

2. OWNER-OCCUPIED REHABILITATION ACTIVITIES:

HOME funds may be used to assist eligible homeowners with the repair, rehabilitation or reconstruction of their primary residence, as follows:

